

# Arabella

PHILANTHROPIC INVESTMENT ADVISORS

# Issue Brief

## Investing in Disaster Response

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Disaster response giving among private donors to both domestic and international incidents has risen dramatically over the past several decades. Prior to September 11, 2001, researchers did not even measure private disaster relief contributions due to the relatively modest level of donations. Since 9/11, several high-profile disasters have raised billions of dollars from private sources.<sup>1</sup> A total of \$7.37 billion was contributed to disaster relief organizations in 2005 for natural and human-caused occurrences, with almost 80 percent coming from individual donors.<sup>2</sup>

Although government funding and leadership in the aftermath of disasters is critical, private entities, including businesses, foundations and individuals are providing necessary relief aid where government support does not suffice. Sophisticated news coverage, readily accessible information over the Internet and instantaneous online giving have dramatically increased private donors' response rates and giving levels, as demonstrated in the aftermaths of the 2004 South Asian tsunami and the 2005 Gulf Coast hurricanes. Even though donors are increasingly concerned by the governance and financial scandals of major disaster relief organizations, giving continues at previously unprecedented levels. The 20 percent increase in American corporate philanthropy in 2005 is credited largely to the financial and in-kind support given for domestic and worldwide disasters.<sup>3</sup>

While natural disasters are often seasonal and therefore relatively predictable and human-caused disasters are typically ongoing, the need for funding for disaster relief routinely catches private philanthropists by surprise. Donors who do not consider disaster response and other contingencies in their giving strategies may feel restricted when motivated to act quickly by the occurrence of a disaster and may have to rush to liquidate assets or divert resources from other priority giving areas. Advance planning enables philanthropists to identify organizations that respond to disasters in ways that match their existing interest in issues such as education, health or poverty alleviation.

## SUCCESSSES

Innovative and effective programs are occurring both in immediate disaster response and disaster preparedness.

**Immediate response:** Communities around the United States welcomed evacuees from Hurricanes Katrina and Rita; many responded quickly and effectively to the wide-ranging needs presented. Examples include the Women's Fund of Greater Birmingham, which created a one-stop emergency resource center<sup>4</sup> and the East Bay Community Action program of Providence, RI, which took responsibility for evacuees' immediate needs and provided each family with a social worker.<sup>5</sup> Also, experts routinely applaud the unique ability of local religious congregations to quickly mobilize significant relief funds in response to local, national and international crises.

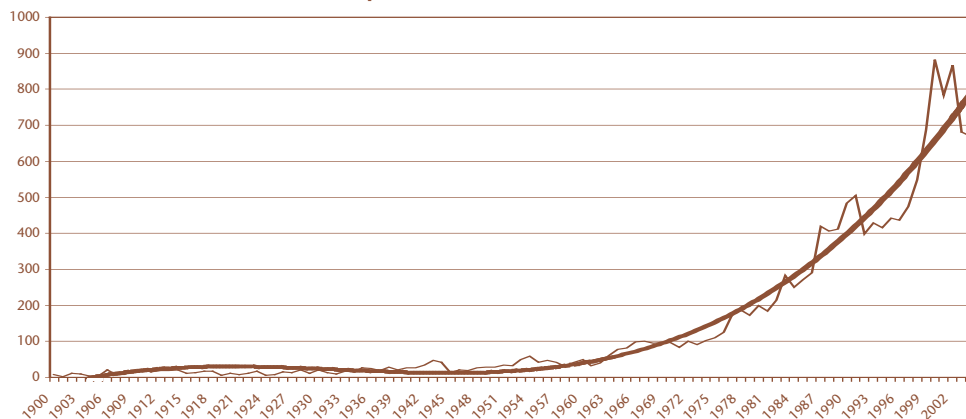
**Sustainable solutions:** Market-driven solutions are providing lasting relief while improving local economies. Potters for Peace developed a simple, inexpensive ceramic water filter that can be produced sustainably by local potters to reduce water-born illnesses. The filter is now used by the Red Cross and Doctors Without Borders and is recommended by the United Nations for aid workers.

**Capitalizing on opportunities:** Following the October 2005 Pakistani earthquake, Internews, which promotes the development of independent media in 50 countries around the world, was able to provide equipment and assist in establishing eight radio stations in Pakistani-controlled Kashmir where they had previously been denied access. Long after these stations provided crucial locally-produced relief effort updates to earthquake victims, they continue to operate and provide Pakistanis with news free of governmental control.<sup>6</sup>

**Improving infrastructure:** Logistics coordination, a core failure in the response to many past disasters, is beginning to be addressed. The Fritz Institute has created a certification program in humanitarian logistics and is developing a supply chain management software program designed for coordinating nonprofit resources. With the support of the William and Flora Hewlett Foundation, they are undergoing a major study to identify relief and recovery vulnerabilities in infrastructure and services to help guide charitable investments.

**Advocacy:** Citizen advocacy has brought attention to the need for planning and coordination, victims' rights and increased funding. A poll conducted post-Hurricane Katrina found that 44% of New Orleans residents who did not evacuate cited their pets as the reason they stayed. Previously competitive animal protection

Total number of disasters reported worldwide: 1900 - 2004



Source: EM-DAT: The OFDA/CRED International Disaster Database - [www.em-dat.net](http://www.em-dat.net) - Université Catholique de Louvain - Brussels, Belgium

groups led by The Humane Society of the U.S. have since advocated together for legislation to accommodate pets in disaster planning. As a result, a number of states and the U.S. House of Representatives have passed significant bills.<sup>7</sup>

## CHALLENGES

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As if the misfortune of disasters is not enough, several major obstacles are preventing the most effective disaster relief.

**Competitive market:** The competition for private funds among disaster response organizations is increasing as more nonprofits are created or move into disaster response provision. The IRS approved 500 new tax-deductible organizations focused on disasters in the nine months following Hurricane Katrina.<sup>8</sup>

**Low-visibility organizations:** Disaster response organizations are numerous but most Americans only know the largest and oldest ones. Many small organizations that are providing effective, often very efficient, on-the-ground services are largely unknown but are worthy of further research and support.

**Credibility concerns:** Relief organizations, increasingly under public scrutiny as disasters become more frequent and response becomes better monitored, are showing signs of the same problems hindering other nonprofit organizations. Legitimate concerns regarding competent governance, mismanagement of funds and the perception of exorbitant executive salaries at organizations such as the American Red Cross have begun to affect the public perception of all disaster relief organizations.

**Obstacles to relief delivery:** Slow disaster relief is often caused by distribution bottlenecks that keep material relief from reaching the most at-risk, often in locations with already sub-standard roads and fragile infrastructure or political systems. Therefore, organizations without personnel

and/or pre-existing activities in the disaster-stricken area are often the least effective in delivering aid.

**Immediate response vs. long-term need:** The timing of donations presents challenges for decision-makers given the visceral reactions of donors. After the initial emotional donor response, contributions usually slow considerably, but long-term needs remain and often require ongoing infusions of money and expertise.

## TRENDS

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With a dramatic increase in the number of disasters in recent years, the disaster relief sector is undergoing many positive changes.

**Fund distribution:** Intermediaries, organizations that raise and disburse money to direct relief providers, are using their credibility and online presence to solicit funds. Some intermediaries work closely with small nonprofits that are providing critical services but do not have the fundraising capacity to reach non-local donors.

**Donor confidence:** Donors are increasingly aware of the utilization of their money due to media coverage and government reports detailing the misuse of private contributions. Some donors are wisely avoiding poor performing groups but may be missing hidden gems.

**Proactive preparations:** Disaster preparedness is gaining emphasis as governments, private organizations and citizens realize the importance of needs assessments and coordination prior to the arrival of disasters. Statistics suggest that every dollar invested in disaster preparedness and mitigation yields savings of \$4.00–\$11.00 in disaster response, relief and recovery.

**Philanthropic planning:** Private donors are increasingly establishing their own disaster contingency funds within their foundations, enabling better responsiveness in the wake of a disaster and ensuring that other charitable priorities and obligations are still fulfilled.

## FUNDING OPPORTUNITIES

Advance research and planning ensures that charitable investments in disaster response can fulfill or exceed donors' interests in measurable impact and lasting returns.

**Give locally:** Donors do not have to stray far from home to have an impact. In major disasters, evacuees settle in other cities or states, which can strain already overtaxed social service providers. Local faith-based organizations, social clubs, community food banks, and other trusted social services organizations routinely need additional support.

**Invest in community preparation:** Individual donors can invest in their own communities to help them prepare for potential disasters. Enabling communities to be proactive will prove critical should a disaster strike locally or should the community be called upon to help elsewhere.

**Adhere to one's mission:** Donors with strong preferences for giving within a certain issue area, such as job readiness, healthcare or education, can identify organizations that respond to those needs in localities affected during disasters.

**Advocate for relief:** Supporting advocacy efforts that encourage disaster preparedness is a critical component of effective disaster-related philanthropy. Advocacy aims to give voice to disadvantaged disaster victims and educate citizens and policymakers about long-term community needs.

**Support international disaster response:** Donors can have a high impact with disaster assistance to developing countries. Donors should target giving to organizations with proven operational experience within the affected country or region.

1 Frederick, Heidi. Disaster Giving PowerPoint presentation, The Center on Philanthropy at Indiana University, 5/30/06.

2 *Giving USA*, a publication of Giving USA Foundation, researched and written by the Center on Philanthropy at Indiana University.

3 Salmon, Jacqueline L. "Katrina Compassion Drives Disaster Contributions to a Record," *Washington Post*, June 19, 2006.

## Donor Considerations

Before investing in disaster response efforts, donors should consider:

**Impact strategy**, determining the proportion of money dedicated to international, national and/or local groups;

**Time horizon**, proportioning funding for immediate response versus long-term rebuilding activities;

**The role and approach of intermediaries**, ensuring that donors' goals and values match those of the selected intermediary;

**Experience and innovation**, considering if an organization has a proven track record in disaster response or would bring a new, innovative approach;

**Flexibility**, knowing that rapidly-changing circumstances require disaster response organizations to respond accordingly, providing core support donations may be a notable exception to the conventional wisdom of earmarking grants;

**Building relationships**, understanding that for donors interested in a specific aspect of disaster response, supporting a small number of relief organizations helps them stay informed on activities, progress and pressing needs over time.

4 Women's Funding Network. "Hurricane Recovery Through Women's Funds," 2006.

5 Hall Hayes, Kia. "Settling Into Rhode Island," *The Providence Journal*, June 21, 2006 and Rodriguez, Johnette. "Local Heroes," *The Providence Phoenix*, October 28, 2005.

6 Tickle, Louise. "News You Can Use," developments, first quarter 2006 and Werner, Jessica. "From Arcata Comes a Vision of Independent Media Worldwide," *San Francisco Chronicle*, March 2, 2006.

7 Gramlich, John. "Legislators Help Pets in Disasters," *Stateline.org*, June 30, 2006.

8 Salmon, Jacqueline L., *ibid*.